

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL MEMORANDUM**

**HB 2486 – SB 2701**

February 26, 2018

**SUMMARY OF ORIGINAL BILL:** Exempts from state and local sales and use tax all sales of agricultural trailers.

**FISCAL IMPACT OF ORIGINAL BILL:**

Decrease State Revenue – Net Impact – \$449,800

Decrease Local Revenue – Net Impact – \$183,600

**SUMMARY OF AMENDMENT (013520):** Deletes and replaces language in the original bill such that the bill as amended exempts from state and local sales and use tax all sales of agricultural grain trailers.

**FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:**

**Decrease State Revenue – Net Impact – \$269,900**

**Decrease Local Revenue – Net Impact – \$110,100**

Assumptions for the bill as amended:

- Exempting sales of agricultural grain trailers from state and local sales and use tax will result in a reduction in state and local sales tax revenue.
- The Department of Revenue cannot segregate tax collection data to show sales tax collections received solely due to agricultural grain trailers.
- Agricultural grain trailers come in a wide variety of models, with prices varying from several hundreds of dollars to multiple tens of thousands of dollars.
- The average number of agricultural grain trailer sales and the average price of agricultural grain trailers are unknown.
- Taxable sales for all agricultural trailers under current law are reasonably estimated to be \$7,000,000 per year in Tennessee.
- It is assumed that of the \$7,000,000 in sales approximately 60 percent, or \$4,200,000 (\$7,000,000 x 60%) is due to sales, specifically, of agricultural grain trailers.

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- The current state sales tax rate is 7.0 percent; the average local option sales tax rate is estimated to be 2.5 percent; the effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 3.617 percent.
- A recurring decrease in state revenue of \$283,366  $[(\$4,200,000 \times 7\%) - (\$4,200,000 \times 7\% \times 3.617\%)]$ .
- A recurring decrease in local revenue of \$115,634  $[(\$4,200,000 \times 2.5\%) + (\$4,200,000 \times 7\% \times 3.617\%)]$ .
- Fifty percent of tax savings, or \$199,500  $[(\$283,366 + \$115,634) \times 50\%]$ , will be spent in the economy on other sales-taxable goods and services.
- The recurring increase in state sales tax collections is estimated to be \$13,460  $[(\$199,500 \times 7\%) - (\$199,500 \times 7\% \times 3.617\%)]$ .
- The recurring increase in local sales tax collections is estimated to be \$5,493  $[(\$199,500 \times 2.5\%) + (\$199,500 \times 7\% \times 3.617\%)]$ .
- The net recurring decrease in state revenue as a result of this bill is estimated to be \$269,906  $(\$283,366 - \$13,460)$ .
- The net recurring decrease in local revenue as a result of this bill is estimated to be \$110,141  $(\$115,634 - \$5,493)$ .

## **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

/jdb